



**State Bank of Pakistan**  
**PAYMENT SYSTEMS DEPARTMENT**

**Retail Payment Systems Of Pakistan**  
**With Particular Reference to E-Banking**

**3<sup>rd</sup> Quarter Report**  
**(January – March) FY 2006-07**

# Table of Contents

EXECUTIVE SUMMARY .....	3
<b>1. INTRODUCTION</b> .....	4
1.1 Retail Payments through Paper Based Instruments .....	5
1.2 Retail Payments through E- Banking .....	5
1.3 Transition to E-Banking .....	5
<b>2. ELECTRONIC BANKING IN PAKISTAN</b> .....	6
2.1 Online Branch Network & Automated Teller Machines (ATMs) .....	6
2.2 Number of Cards (Credit/Debit/ATM) .....	6
<b>2.2.1 Credit Cards</b> .....	6
<b>2.2.2 Debit Cards</b> .....	7
<b>2.2.3 ATM Cards</b> .....	7
<b>2.2.4 Smart Cards</b> .....	7
<b>3. VOLUME ON E-BANKING CHANNELS</b> .....	8
3.1 Real Time Online Banking Transactions .....	8
3.2 Transactions through ATMs .....	8
<b>3.2.1 Fund Transfers</b> .....	9
<b>3.2.2 Cash Deposits</b> .....	9
<b>3.2.3 Utility Bills Payment</b> .....	9
3.3 POS (Point of Sale) Transactions .....	9
3.4 Call Centre Banking .....	10
3.5 Internet Banking .....	10
3.6 Cross Border Transactions through E-Banking .....	10
3.7 Non financial E-banking transactions .....	10
3.8 Contribution of ATMs, POS & Real Time Online .....	11

# Retail Payment Systems of Pakistan

## (Jan. – Mar.) FY 2006-07

### **EXECUTIVE SUMMARY**

#### **TOTAL RETAIL PAYMENTS**

During Q3 FY 06-07, total retail payments were recorded at 105.7 million transactions valuing Rs.29.5 trillion; showing a growth of 1.5% in numbers and a decline of 2.6% in amount..

#### **E-BANKING**

The volume and value of e-banking transactions during Q3 FY 06-07 reached at 25.5 million and Rs.2.7 trillion respectively, recording a growth of 5.8% in numbers and 9.1% in amount.

#### **CARDS**

Total number of active cards grew by 8.8% reaching the level of 5.5 million. Credit Cards recorded growth of 7.5% having reached at 1.66 million while Debit Cards recorded growth of 8.7% and stood at 3.79 million.

#### **INFRASTRUCTURE**

Total number of ATM machines as of Q3 FY 06-07 reached at 2,174, depicting an increase of 11.6 % over the previous quarter. The Real Time Online Branches (RTOB) reached at 4,091 and now constitute 53% of total branch network in the country. As of Q3 FY 06-07, number of POS terminals available to customers were 43,211; reflecting a growth of 12.4% over the previous quarter.

#### **ATM TRANSACTIONS**

Total number of ATM transactions increased by 5.2% in Q3 FY 06-07 and stood at 13.2 million, whereas the amount of such transactions was Rs.88.1 billion; showing a growth of 13.4% over the previous quarter.

#### **ONLINE BANKING**

The number of Online Banking transactions grew to 7.9 million, reflecting an increase of 5.0% as compared to the previous quarter. The value of transactions through Online Banking recorded, during this quarter, at Rs.2.6 trillion showing an increase of 9.0 % over the previous quarter.

#### **OTHER E-BANKING CHANNELS**

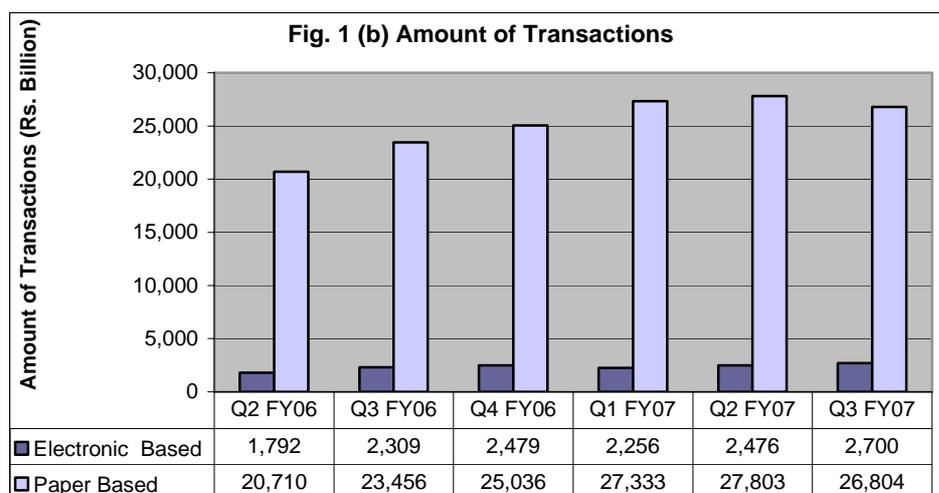
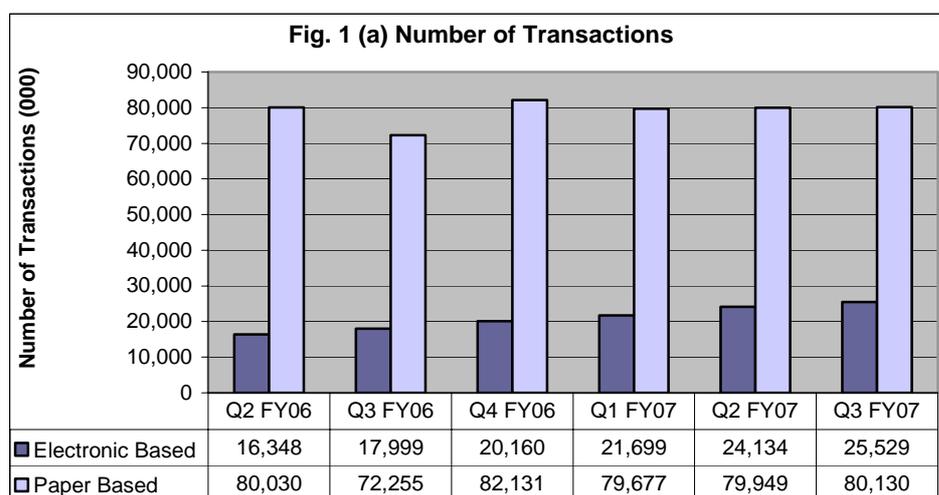
The number of transactions on other E-Banking channels (POS, Internet & Call Center) during the quarter under review were 4.4 million, which were 9.0% more than the transactions recorded in the previous quarter. The value of such transactions was Rs.22.0 billion; reflecting a decrease of 1.9% from the previous quarter.

#### **TRANSFORMATION**

Momentum of use of electronic channels is growing as contribution of electronic transactions increased to 24.2% in number terms and in value terms constitute 9.2% of total retail transactions, as compared to 23.2% and 8.2% respectively in the previous quarter.

# 1. INTRODUCTION

Payment Systems Department compiles this report on the Retail Payment (paper based and electronic) Systems in Pakistan on quarterly basis with particular reference to e-banking. The report primarily focuses on the transactions of retail nature through ATMs, Cards, RTOBs (Real Time On-line Branches), POS machines, Internet banking, cross border card based transactions, etc. During Q3 FY 06-07 volume of retail payment transactions registered a growth of 1.5% but value of transactions declined by 2.6%. In the last quarter the growth in volume was 2.7% and value increased by 2.3%. The decline in value observed in Q3 FY 06-07 was due to the high base effect of the year closing transactions in the previous (Dec. ending) quarter. Trend of paper and electronic based transactions and value is given in the figure 1(a) and 1(b).



### 1.1 Retail Payments through Paper Based Instruments

Q3 FY 06-07 witnessed an increase of 0.2% in numbers of paper based transactions and a decrease of 3.6% in value terms of paper based retail payment transactions as compared to an increase of 0.3% in numbers and 1.7% in value observed in the preceding quarter. Main reason for decline in value of transactions during the current quarter was due to the higher base (i.e. base effect) in the previous (Dec. ending) quarter, due to closing of financial year of banks.

### 1.2 Retail Payments through E- Banking

Electronic transactions have posted a growth of 5.8% in terms of numbers and 9.1% in terms of value during the current quarter. In the previous quarter, growth in volume was 11.2% while value increased by 9.7%.

### 1.3 Transition to E-Banking

During the last six quarters the transition from paper based banking to e-banking has been gradual in terms of number of transactions. However, the growth in terms of value is remarkable which has been mainly driven by Real Time On-line Branch network. (Table 1(a) and 1(b)):

**Table 1-(a): Comparison of Number of Transactions in Retail Electronic and paper based Payments**

#### Number of Transactions (000)

Number (000)	Q2 FY06	Q3 FY06	Q4 FY06	Q1 FY07	Q2 FY07	Q3 FY07
Electronic Based	16,348	17,999	20,160	21,699	24,134	25,529
Paper Based	80,030	72,255	82,131	79,677	79,949	80,130
<b>TOTAL</b>	<b>96,379</b>	<b>90,254</b>	<b>102,291</b>	<b>101,376</b>	<b>104,083</b>	<b>105,659</b>
<b>% Composition</b>						
Electronic Based	17.0%	19.9%	19.7%	21.4%	23.2%	24.2%
Paper Based	83.0%	80.1%	80.3%	78.6%	76.8%	75.8%

**Table 1-(b): Comparison of Amount of Transactions in Retail Electronic and paper based Payments**

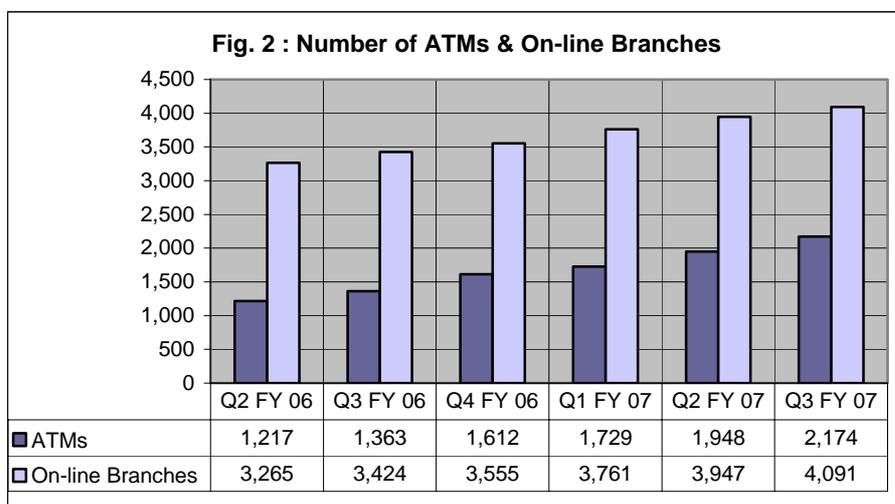
#### Amount of Transactions (Rs. In Billion)

Amount (Rs. Billion)	Q2 FY06	Q3 FY06	Q4 FY06	Q1 FY07	Q2 FY07	Q3 FY07
Electronic Based	1,792	2,309	2,479	2,256	2,476	2,700
Paper Based	20,710	23,456	25,036	27,333	27,803	26,804
<b>TOTAL</b>	<b>22,502</b>	<b>25,765</b>	<b>27,515</b>	<b>29,590</b>	<b>30,278</b>	<b>29,503</b>
<b>% Composition</b>						
Electronic Based	8.0%	9.0%	9.0%	7.6%	8.2%	9.2%
Paper Based	92.0%	91.0%	91.0%	92.4%	91.8%	90.8%

## 2. ELECTRONIC BANKING IN PAKISTAN

### 2.1 Online Branch Network & Automated Teller Machines (ATMs)

Online branch and ATM network has been showing a consistent growth. This quarter witnessed an addition of 144 branches into online network bringing the number to 4,091. This has increased the share of online branches in the total branch network (7,674) from 52% in the previous quarter to 53% in the current quarter. Similarly, during the Q3 FY 06-07, banks have added 226 new ATMs in their network, bringing the total ATMs to 2,174, registering a growth of 11.6% as compared to 12.7% in the previous quarter. The trend in number of ATMs and On-line Branches can be seen in **Figure 2**.



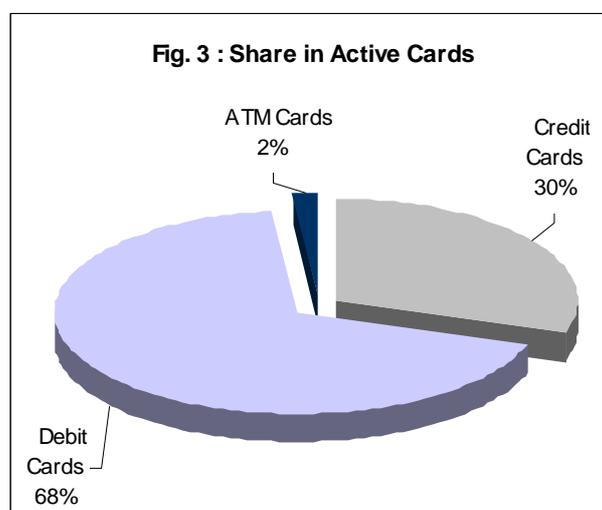
### 2.2 Number of Cards (Credit/Debit/ATM)

At the end of Q3 FY 06-07, total number of valid (excluding cancelled) credit, debit and ATM only cards in circulation were 5.5 million showing an increase of 8.8% from 5.1 million as of previous quarter.

(**Figure 3**).

#### 2.2.1 Credit Cards

Total number of active and in-active credit cards increased from 1.548 million



to 1.663 million in Q3 FY 06-07, registering a growth of 7.5% over the previous quarter.

### **2.2.2 Debit Cards**

Total number of active and in-active debit cards (Excluding ATM only cards) increased from 3.483 million to 3.788 million in Q3 FY 06-07, showing an increase of 8.7% over the previous quarter.

### **2.2.3 ATM Only Cards**

Total number of active and in-active ATM cards was 0.098 million in the current quarter Q3 FY 06-07 as compared to 0.071 million in the previous quarter showing an increase of 38.6% over the previous quarter.

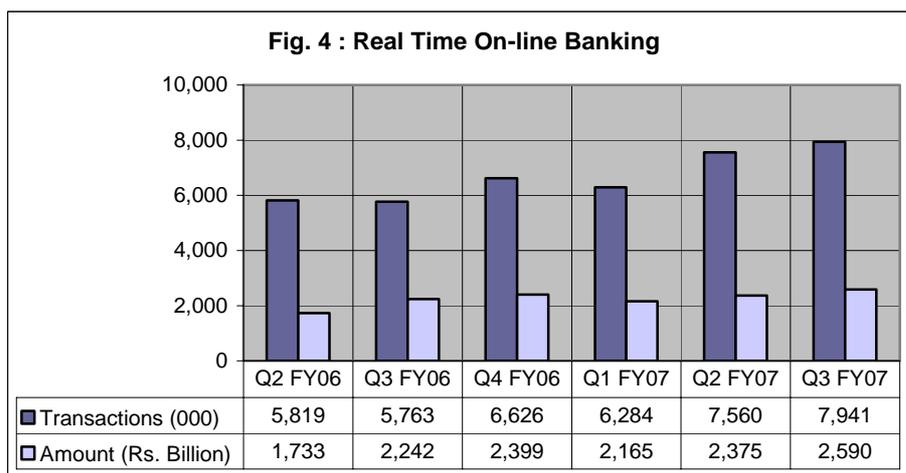
### **2.2.4 Smart Cards**

Out of the total 5.5 million debit and credit cards, chip based smart cards were 0.293 million, bringing the share of smart cards to 5.3% of the total active cards. During this quarter the number of chip based cards increased by 6.8%.

### 3. VOLUME ON E-BANKING CHANNELS

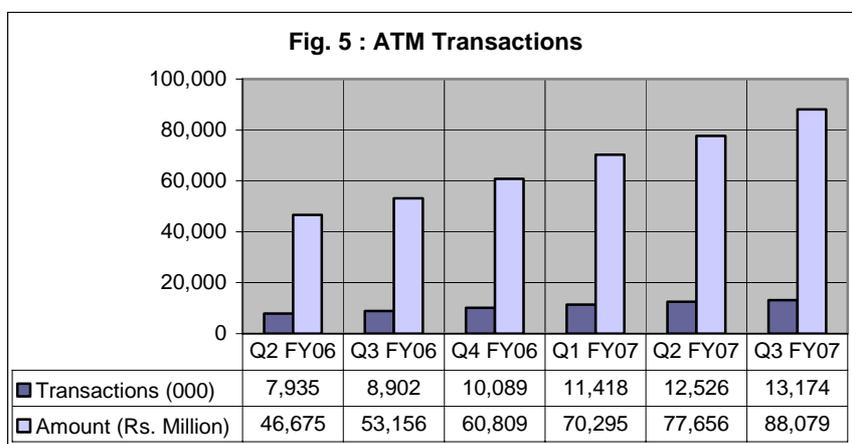
#### 3.1 Real Time Online Banking Transactions

During Q3 FY 06-07, the number of RTOB transactions increased by 5.0% and value increased by 9.0% as against previous quarter's growth of 20.3% and 9.7% respectively. The historical trend in RTOB is given in Fig. 4:



#### 3.2 Transactions through ATMs

ATMs transactions during the Q3 FY 06-07 registered an increase of 5.2% and the amount increased by 13.4% as against an increase of 9.7% and 10.5% respectively in the previous quarter. ATMs were used 99% for cash withdrawal and only 1% for other purposes i.e. Cash Deposits, Payment of Utility Bills and Account to Account Fund Transfers. On average, 67 transactions were executed per day per ATM and average transaction size was Rs.6,686/-. There has been a persistent growth in the use of ATMs as depicted in **Figure 5**.



### 3.2.1 Fund Transfers

During Q3 FY 06-07, 0.079 million account-to-account funds transfer transactions were made through ATMs, showing an increase of 43.7%. The value of such funds transfer was Rs.3.5 billion, depicting an increase of 50.0%. Funds transfer through ATMs includes intra-bank as well as inter-bank (1-Link only) funds transfers. The high growth rate of funds transfer speaks of the growing level of acceptance of this mode by the general public.

### 3.2.2 Cash Deposits

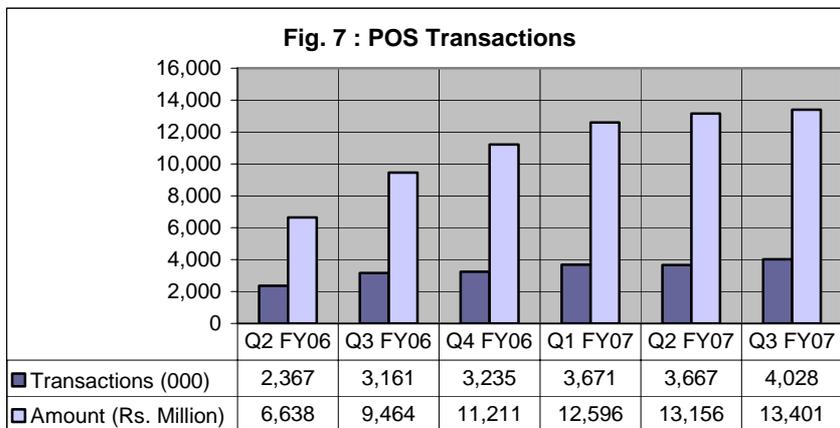
Quite a few banks are providing the facility of cash deposit through ATMs. The mechanism for cash deposit is envelope based i.e. cash is not directly fed into the machine. During Q3 FY 06-07 only 1,600 transactions were reported in this category as compared to 1,830 transactions during the previous quarter showing a decline of 12.4% from the previous quarter.

### 3.2.3 Utility Bills Payment

During Q3 FY 06-07, 6,650 transactions of Utility Bills payment through ATMs were reported involving an amount of Rs.8.3 million as compared to 7,270 transactions involving an amount of Rs.7.7 million in the previous quarter, registering a decline of 8.5% in numbers and an increase of 8.2% in amount.

## 3.3 POS (Point of Sale) Transactions

The number of POS transactions increased by 9.8% while the amount of such transactions increased by 1.9% during this quarter. The previous quarter showed a decrease of 0.1% in numbers and an increase of 4.4% in value of transactions. See Fig. 7.



### 3.4 Call Centre Banking

Banking through Call Centre is one of the electronic banking channels. The number of transactions through this channel reported by the banks for Q3 FY 06-07 were 0.145 million involving an amount of Rs.2.112 billion, showing decline of 11.8% in numbers and 11.7% in amount over the last quarter.

### 3.5 Internet Banking

Internet Banking is growing at a steady pace and during Q3 FY 06-07, 0.240 million transactions were reported involving an amount of Rs.6.514 billion, showing growth of 11.1% in numbers and a decline of 5.7% in amount over the last quarter. Internet banking includes payments and transfer of funds through Internet. The funds transfer however is limited only to intra bank account to account funds transfer.

### 3.6 Cross Border Transactions through E-Banking

Cross border transactions include only those transactions which were executed using either an ATM / POS machine or through Internet. Comparison of cross border transactions, showing in-flow and out-flow of money through e-banking is given in **Table 2**:

**Table 2: Comparison of Cross Boarder Payment Transactions Through E-Banking**

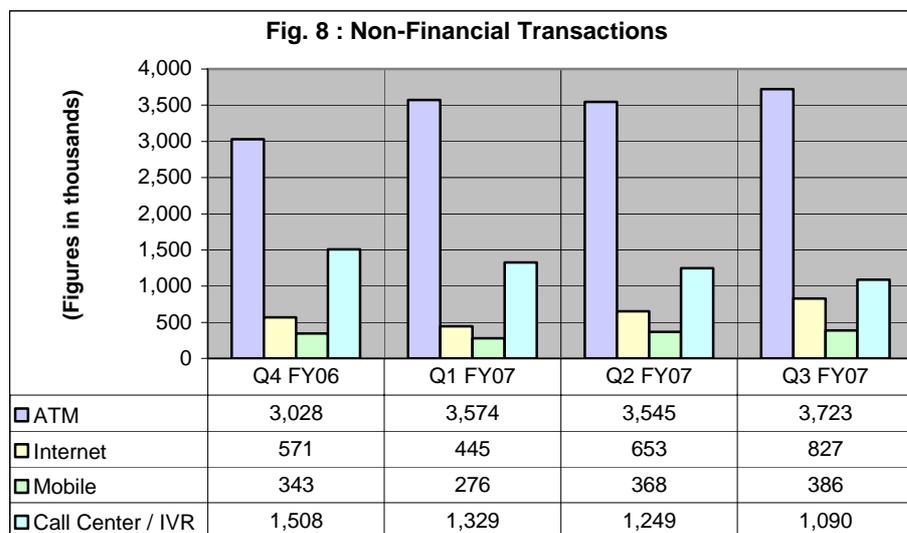
Means of Transaction	Inflow of Money (Inward remittance)		Outflow of Money (Outward remittance)		Net	
	Q2Fy06-07	Q3Fy06-07	Q2Fy06-07	Q3Fy06-07	Q2Fy06-07	Q3Fy06-07
ATM	2,259	2,075	(291)	(230)	1,968	1,845
POS	1,568	2,467	(1,419)	(1,609)	148	859
INTERNET	47	49	(137)	(137)	(90)	(88)
<b>Total</b>	<b>3,874</b>	<b>4,591</b>	<b>(1,847)</b>	<b>(1,975)</b>	<b>2,027</b>	<b>2,615</b>

The above table indicates that the volume of cross border e-banking transactions (net inflow) increased by 29.04% as compared to a decline of 14.26% reported in the previous quarter.

### 3.7 Non-financial E-banking transactions

All the channels of e-banking are also used for non financial transactions like the balance inquiry, account statements, etc. The total number of non-financial transactions reported

during the quarter was 6.027 million as compared to 5.815 million in the previous quarter. (Fig. 8.)



### 3.8 Contribution of ATMs, POS & Real Time Online Banking in E-Banking Operations

ATMs are commonly used for cash withdrawal of small value. Therefore, the share of ATM transactions in the total number of electronic transactions was highest i.e. 51%. Whereas, the share of Online Banking, POS, Call Centre and Internet Banking in the total E-Banking business was 31%, 16%, 1% and 1% respectively. However, in terms of amount, the contribution of online banking is 97%, since this channel is used for B2B transactions. Whereas, the share of POS, Internet and Call Center banking is less than 1% of the total. (Figures 6(a) & 6(b)).

